

CL84/L4-3(401216)P

DEPARTMENT OF THE NAVY

WASHINGTON

January 18, 1941

Re:

In consideration of the order placed with the Federal Shipbuilding and Dry Dock Company by the Secretary of the Navy's letter of December 16, 1940 (No. DD612/L4-3(401216)), for the construction of six additional Destroyers Nos. DD 624 to DD623, inclusive, (Contract NOD-1642), the Secretary of the Navy hereby authorizes the following changes to cover the cancellation of Light Cruisers Nos. 84 and 88 under the existing contract NOD-1497 of September 9, 1940, for the construction of five Light Cruisers Nos. CL84 to 88, inclusive:

1.

In the legend "Contract for the Construction of Five (5) Light Cruisers Nos. CL84-88, inclusive.", delete the words "Five (5) Light Cruisers Nos. CL84-88, inclusive" and substitute therefor the words "Three (3) Light Cruisers, Nos. CL85, CL86 and CL87."

Article 1(a), 4th line - Delete the words "five Light Cruisers Nos. CL84 to 88, inclusive" and substitute therefor the words "three (3) Light Cruisers, Nos. CL85, CL86, and CL87."

2.

Article 8, in the typewritten list, under "Vessels" and "Completion Dates", delete the first typewritten line consisting of the words "One (1) Light Cruiser No. CL84 in 39 months from date of this contract," and the fifth typewritten line consisting of the words "One (1) Light Cruiser No. CL88 in 63 months from date of this contract."

3.

Article 11(a), 2nd line - Delete the words "ninety-six million" and substitute therefor the words "fifty-eight million, six hundred twenty thousand".

Article 11(a), 3rd line - Delete the numeral "58,000,000.00" following the symbol "\$" in the parentheses, and substitute therefor the numeral "58,620,000.00".

On this same line, delete the words "two hundred" and substitute therefor the words "five hundred forty".

Article 11(a), 4th line - Delete the numeral "19,200,000.00" following the symbol "\$" in parentheses, and substitute therefor the numeral "19,540,000.00".

In accordance with the Secretary of the Navy's letter December 16, 1940 (No. CL84/L4-3(401216)), the above changes are effective as of December 16, 1940.

It is requested that the receipt of this letter be acknowledged.

Respectfully,

Secretary of the Navy

General Shipbuilding and
Dry Dock Company
Bay, New Jersey

Ships
CompEd
Shipyard, Kearny
AUD (Audit Div.)

in accordance with Article 1 hereof on or before the completion date specified below with reference to each vessel:

Vessels	Completion Dates
Light Cruiser No. CL 84	in 39 months from date of this contract
Light Cruiser No. CL 85	in 45 months from date of this contract
Light Cruiser No. CL 86	in 51 months from date of this contract
Light Cruiser No. CL 87	in 57 months from date of this contract
Light Cruiser No. CL 88	in 63 months from date of this contract

That in the event of an actual delay in the construction of the vessel/vessels resulting from any cause beyond the control and without the fault or negligence of the contractor the Secretary of the Navy shall extend the above-prescribed time for completion.

9. When each vessel is substantially complete, as required by this contract, except for items of work which may, in the discretion of the Chief of the Bureau of Ships, remain unfinished until after the trials, and when the contractor shall have made sufficient dock and in free route to be reasonably sure of satisfactory performance, the vessel shall be subjected to trials under the supervision of a trial board designated by the Secretary of the Navy to test her and her speed. Such trials shall be as provided in the Specifications and the Special Specifications for Propelling Machinery applicable to the vessel.

Trials.

One vessel to be built under this contract, to be designated by the Department, shall be subjected to complete trials as set forth in the aforesaid Detail and Special Specifications. Remaining vessels shall be subjected to such abridged trials as are set forth in the Specifications.

The Trial Board will arrange the required trials so as to obtain the data specifically required to determine whether the requirements of this contract have been met, and also to obtain, insofar as practicable, any other useful data desired by the Board. Should any vessel fail to complete satisfactorily any of the trials to which it is subjected, such trials may be repeated on that vessel or on any of the other vessels as may be directed by the Secretary of the Navy. If, however, any of the runs specified may be eliminated without impairing the adequacy of the trials, such runs may be eliminated at the discretion of the Board.

All of the specified trials there shall be observed and recorded, by representatives of the Trial Board, such data as can be considered by the Board to be of professional interest. Such data as are required by the governing specifications.

The mean trial displacement, auxiliary machinery in operation during trials, and all equipment for determining shaft horsepower, speed, fuel consumption, and other data shall be provided in the aforesaid specifications. The vessel on trial shall be so loaded as to have approximately the same mean draft, trim, and metacentric height as in service condition.

Mean trial displacement and auxiliary.

Upon the trials there shall be no failure of the vessel or its equipment to meet fully the requirements of this contract, the contractor shall be entitled to make further trials, the number to reasonably demonstrate her capabilities: *Provided*, That the number of trials shall be determined and limited by the Secretary of the Navy.

Additional trials.

The cost of all trials prior to the preliminary acceptance of the vessel, including the wages and lodging of all persons ordered by the Department to be on the vessel for the purpose of the trials, shall be at the contractor's expense.

Cost of trials contractor's expense.

Changes in the trial requirements will be treated as changes under this contract and any increased or decreased cost resulting therefrom will be determined as provided in Article 6 hereof.

After the trials have been completed, the vessel shall be returned to the plant of the contractor, and the machinery shall be opened up for such post-trial examination as the Department may direct. Any defects or deficiencies for which the contractor is responsible shall be corrected by and at the expense of the contractor as directed by the Department. The machinery shall be closed and connected ready for service: *Provided*, That the cost of correcting any defects or deficiencies in Department-supplied machinery for which the contractor is held not responsible shall be determined and handled as under this contract, as provided in Article 6 hereof.

Post-trial examination.

Trials as the Department may reasonably require may be run after the post-trial examination in order to prove that all machinery has been properly reassembled.

10. (a) If, on the trials and the post-trial examination, the foregoing requirements and conditions shall be fulfilled, and if the various requirements of this contract, including delivery, shall be fully met, the vessel shall be preliminarily accepted and payment shall be made to the contractor as specified in Article 11 hereof.

Preliminary acceptance.

During the guarantee period hereinafter defined the vessel shall be finally tried, being fully equipped and armed and in all respects complete and ready for sea, under the supervision of the Secretary of the Navy; the expenses of such final trial shall be borne by the Department. If any weakness, deficiency, defect, failure, breaking down, or other defect in the vessel for which the contractor is responsible shall develop within the guarantee period, it shall be corrected and repaired to the satisfaction of the Secretary of the Navy at the expense of the contractor. Such guarantee period shall be the six (6) months period immediately following the date of preliminary acceptance extended by the Secretary of the Navy, but only such time, during which the vessel is not available for unrestricted service on account of any weakness, deficiency, defect, failure, breaking down, or other defect for which the contractor is responsible. The contractor may, if it so desires, employ an engineer of its own selection, who is acceptable to the Department, on board the

Guarantee period.

vessel at any time during said period, who shall have full opportunity to inspect and control the working of the vessel in all its parts, but without any directing or controlling power over the same.

Final acceptance

(c) Upon the expiration of the guarantee period, determined as hereinafter provided, the vessel shall be finally accepted, and final settlement shall be made as provided in Article 11 hereof.

Payments

ART. 11. (a) The Department will pay for each vessel to be constructed a fixed sum in accordance with this contract, ninety-six million dollars (\$96,000,000), plus or minus the amount of any increase or decrease in the contract price of each vessel, subject to adjustment for changes in labor and material costs as provided in Section 111 of Article 12 hereof.

(b) Payments on account of each vessel shall be made by the Department in semi-monthly installments, as earned, or more frequently if expenditures by the contractor justify such action; no installment, however, shall be less than one percent (1%) of the contract price of each vessel covered by this contract.

(c) Payments shall be made from time to time for changes involving increased costs as the work involved in such change is completed and the costs determined as hereinafter specified: Provided, however, That the Secretary of the Navy, in his discretion, may make partial payments on account of adjudicated parts of changes involving increased cost in advance of completion of the change as a whole. Deductions for changes involving decreased cost shall be made as prescribed in this article.

Preliminary settlement

(d) Payments of the last three percent (3%) of the contract price of each vessel shall not be made except as hereinafter provided.

(e) On preliminary acceptance of each vessel, payment to the contractor shall be made of an amount that shall be determined as follows: From the amount remaining unpaid of the contract price of such vessel, increased or decreased on account of charges and extras as hereinafter provided for and increased on account of adjustments required by reason of changes in labor and material costs as hereinafter provided, there shall be deducted the sum of (1) the amount of the estimated cost of completing uncompleted work under this contract, if any, and of correcting any and all defects or deficiencies then known to exist for which the contractor is responsible, and (2) a special reserve of three hundred thousand dollars (\$300,000) on account of such vessel. The said special reserve shall be held for the guarantee period. If the amount of any increase or decrease in the contract price caused by any of the charges or extras or adjustments shall not have been determined at the time such payments should be made, an estimate made by the Department of the amount of such increase or decrease or adjustment, may, in the discretion of the Secretary of the Navy, be used pending the determination of the actual amount thereof.

Maximum liability

(f) Anything in this contract to the contrary notwithstanding, the total cost, with respect to each vessel, chargeable to the contractor of correcting and repairing any weaknesses, deficiencies, defects, failures, breaking down or deterioration which shall develop within the guarantee period shall not exceed the amount of the special reserve withheld pursuant to the provisions of paragraph (e) of this article by more than fifty thousand dollars (\$50,000).

Final settlement

(g) Final payment of the balance due the contractor shall be made as provided in the General Provisions.

Adjustments

ART. 12. (1) The contract price stated in Article 11 is subject to adjustment for the net increase for changes separately in labor and material costs, in accordance with the following method:

Contractor labor

(a) LABOR. Adjustment with respect to labor costs shall be made on the basis of monthly average hourly earnings for the shipyards constructing naval vessels and vessels building for the United States Maritime Commission, as furnished to the Department by the Department of Labor (hereinafter called the Labor Index). Adjustments shall be calculated with respect to each calendar quarter up to the completion date provided in Article 8. The percentage of increase or decrease in the quarterly index (obtained by averaging the Labor Index for each month of the calendar quarter) shall be obtained by comparison with the Labor Index for the basic month. The basic month shall be May 1940. The labor adjustment for each calendar quarter, as determined by the Compensation Board, shall be obtained by applying such percentage of increase or decrease to the total amount expended by the contractor for direct and indirect plant labor during such quarter.

Contractor material

(b) MATERIALS. Adjustment with respect to materials shall be made on the basis of the materials index for Group VI, Metals and Metal Products, as furnished to the Department by the Department of Labor (hereinafter called the Materials Index). Adjustments shall be determined by the Compensation Board with respect to each calendar quarter up to the completion date provided in Article 8. The percentage of increase or decrease in the quarterly index (obtained by averaging the Materials Index for each month of the calendar quarter) shall be obtained by comparison with the Materials Index for the basic month. The basic month shall be May 1940. The material adjustment for each calendar quarter shall be obtained by applying to the aggregate amount of the firm quotations for materials received by the contractor during such quarter the percentage of increase or decrease shown by the Materials Index for that quarter during which the price of such item of material became fixed: Provided, however, That the Secretary of the Navy may deny or reduce the adjustment with respect to any item if he finds that it would have been practicable to have obtained a firm quotation therefor at an earlier date.

Adjustments—material

(c) SUBCONTRACTS ON ADJUSTED PRICE BASIS. If the contractor shall have obtained in advance the written approval of the Secretary of the Navy or the Chief of the Bureau of Ships as his duly authorized representative, he may enter into a subcontract on a cost-plus-a-fixed-fee basis, on a price-adjustment basis substantially similar to the provisions of paragraphs (c) and (b) of this article, or on such other basis as may be approved. With

FOR CHANGE IN ARTICLE 12(1)(c), SEE
LETTER OF JANUARY 29, 1942 IN CONTRACT
N04-1480.

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